



Committed to the future of rural communities.

Business-Cooperative Programs Rural Economic Development Loans

The Rural Economic Development Loan (REDL) program provides zero percent interest rate loans to Community Programs (CP) borrowers to promote rural economic development and job creation projects.

Funds for the zero interest rate loans come from annual fiscal year appropriations by congress.

The maximum amount for any REDL assistance is three percent of the total appropriation for that fiscal year, rounded to the nearest \$10,000. Minimum assistance is \$10,000.

To be eligible, CP borrowers must not be delinquent on any Federal debt or involved in bankruptcy proceedings.

Projects located in areas covered by the Coastal Barrier Resources Act or projects which would adversely impact the environment are not eligible under the REDL program.

The policy of the REDL program is to promote projects that will result in a sustainable increase in the productivity of economic resources.

Increased productivity leads to a higher level of income for rural residents.

CP borrowers should promote economic development in rural areas through job creation projects that are based on sound economic and financial analyses and take a long-term perspective.

Economic development and job creation projects should be encouraged in rural areas without regard to service area.

Through the REDL program, Rural Development hopes to promote financially viable projects and encourage CP borrowers to deposit funds in Cushion-of-Credit accounts.

Eligible Loan Purposes

Loan funds may be used for project feasibility studies, start-up costs, incubator projects, or other reasonable expenses.

Community antenna television systems or facilities are eligible only if they are used in conjunction with educational or medical entities and projects.

Ineligible Loan Purposes

Loan funds may not be used to support any project or individual which may, in the judgment of the Administrator, present a conflict of interest.

Costs incurred prior to receipt of the completed application cannot be funded by the loan without prior written approval.

Loan funds may not be used for the purchase or lease of any real property, materials, equipment, or services provided by individuals involved in the project without the Administrator's prior written approval.

Operation of electric or telephone service and any other related purpose is not eligible.

In addition, loan funds may not be used to pay salaries of any employee or owner of the borrower or its affiliates.

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should be sent to:
USDA, Director,
Office of Civil Rights
1400 Independence Ave. SW
Washington, DC 20250-9410
800-795-3272 (voice) 202-720-6382 (TDD)

Supplemental Funding

Supplemental funding is required before a project can be approved for REDL assistance.

The amount of supplemental funding must be at least 20% of the amount of the requested REDL assistance.

The project owner may provide supplemental funding through equity funds, private sources, state and local government sources, other Federal government sources, or through a RUS borrower.

Loan Repayment Terms

The promissory note covering repayment of the REDL assistance is negotiated between Rural Development and the CP borrower.

The nature of the project will determine the repayment term. Ordinarily the term will not exceed 10 years, including any principal deferment period.

With Administrator approval, principal repayments may be deferred for a period of up to two years.

For an established business, the deferment will be limited to one year.

Application Procedure

Applications must be filed on any official workday during the first 14 days of every month.

With the exception of applications to fund feasibility studies, a simultaneous filing

must also be sent to the state single point of contact for state and local governments.

A completed application must consist of:

- ◆ Standard Form 424-Application for Federal Assistance;
- ◆ Board resolution;
- ◆ Miscellaneous Federal Forms and Certifications;
- ◆ Narrative discussion of:
 - √ selection factors as specified in 1703.35,
 - √ project description as specified in 1703.36,
 - √ environmental impact of proposed project (except for feasibility studies).

Upon receipt of a completed application, the following factors will be considered in the final selection process:

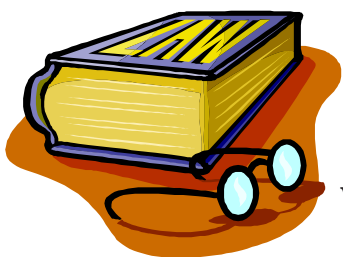
- ◆ project location;
- ◆ nature of the project (demonstration project or other) and probability of success;
- ◆ current unemployment rates, economic conditions, and job creation projections including number of long-term jobs created;
- ◆ anticipated long-term improvements in economic development;
- ◆ potential of the project for diversifying the

rural economy or alleviating under-employment;

- ◆ anticipated change in population;
- ◆ community-based economic development program;
- ◆ plan for improving the marketable skills of people in rural areas;
- ◆ supplemental funds and other support for the program as evidenced by funds deposited in the cushion-of-credit account;
- ◆ per capita personal income of the area or special economic status.

Other Federal regulations must be considered during review of the application. These include:

- ◆ environmental requirements;
- ◆ equal opportunity and nondiscrimination;
- ◆ compliance with the Architectural Barriers Act of 1968;
- ◆ flood hazard area precautions;
- ◆ real property acquisition and relocation;
- ◆ debarment and suspension;
- ◆ drug-free workplace (for grants only);
- ◆ restrictions on lobbying.



For more information and specific detailed language regarding the REDL program, contact us for a copy of the appropriate Federal Regulations: 7 CFR 1703, Subpart B or look on the Internet at: www.access.gpo.gov/nara/cfr/cfr-table-search.html